

Message Text

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ACTION EUR-12

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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7032
INFO ALL EC CAPITALS
AMEMBASSY LISBON

UNCLAS SECTION 01 OF 02 BRUSSELS 10812

USEEC

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TAGS: EC, PO, ECIN
SUBJ: EC COMMISSION OPINION ON PORTUGAL'S ACCESSION
TO THE COMMUNITY

REF: BRUSSELS 9911

1. MISSION HAS NOW OBTAINED FULL TEXT OF EC COMMISSION'S
OPINION TO THE EC COUNCIL ON PORTUGAL WHICH BEING POUCHED
DEPARTMENT AND LISBON. COMPLETE DOCUMENT CONSISTS OF TWO
PARTS: (A) THAT SUMMARIZED REFTEL WHICH RECOMMENDS
ACQUIESCENCE TO PORTUGAL'S APPLICATION FOR EC MEMBERSHIP
AND DRAWS ATTENTION TO THE NEED FOR SUBSTANTIAL EC AID,
AND (B) A SECOND CHAPTER WHICH BRIEFLY EXAMINES THE EFFECT
OF PORTUGAL'S ACCESSION IN SPECIFIC SECTORS AND SUGGESTS
IN GENERAL TERMS THE STEPS NEEDED TO INTEGRATE PORTUGAL
FULLY INTO THE COMMUNITY. THERE FOLLOWS A SUMMARY OF THE
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SECOND PART OF THE OPINION.

2. CUSTOMS UNION: PORTUGUESE INTEGRATION INTO THE COM-
MUNITY WILL BE FACILITATED BY THE EXISTENCE OF THE 1972
EC/PORTUGAL TRADE AGREEMENT WHICH PROVIDES FOR THE GRADUAL
DISMANTLEMENT OF TARIFF BARRIERS ON INDUSTRIAL PRODUCTS
BY 1985. SINCE 1973, QUANTITATIVE RESTRICTIONS ON MOST

INDUSTRIAL PRODUCTS COVERED UNDER THE AGREEMENT HAVE BEEN ABOLISHED. MOREOVER, PORTUGUESE INDUSTRIAL PRODUCTS EXPORTED TO THE COMMUNITY HAVE BEEN EXEMPTED FROM CUSTOMS DUTIES SINCE 1976. PORTUGAL HAS STATED ITS WILLINGNESS AND INTENTION TO REDIRECT OR ABOLISH CERTAIN CUSTOMS SURCHARGES ON INDUSTRIAL IMPORTS FROM EC COUNTRIES.

3. AGRICULTURE: PORTUGAL'S AGRICULTURE MUST BE DEVELOPED AND SOCIAL AND STRUCTURAL DIFFICULTIES MUST BE OVERCOME. THIS MEANS THAT PORTUGAL MUST REDUCE, OR AT LEAST AVOID AN INCREASE IN, THE PROPORTION OF ITS TRADE DEFICIT ACCOUNTED FOR BY AGRICULTURAL IMPORTS. (THE CURRENT RATE OF SELF-SUFFICIENCY FOR CERTAIN PRODUCTS IS VERY LOW, THE OPINION NOTES.) MOREOVER, IN ORDER TO IMPROVE PRODUCTIVITY, CHANGES WILL HAVE TO BE MADE IN THE LAND TENURE STRUCTURE TO ENSURE LESS FRAGMENTATION OF FARMS. THERE WILL ALSO HAVE TO BE INJECTIONS OF CAPITAL AND IMPROVED VOCATIONAL TRAINING FOR FARMERS.

4. FISHERIES: ACCESSION WILL INVOLVE A REALLOCATION OF FISHING QUOTAS AMONG MEMBER STATES IN COMMUNITY FISHING ZONES. IT WILL ALSO INVOLVE THE DENUNCIATION BY PORTUGAL OF BILATERAL FISHING AGREEMENTS IT HAS CONTRACTED AND, IN SOME CASES, THE REVISION OF FISHERIES AGREEMENTS CONCLUDED BY THE COMMUNITY. MOREOVER, PORTUGAL WILL HAVE TO WITHDRAW FROM INTERNATIONAL FISHERIES CONVENTIONS WHERE UNCLASSIFIED

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IMPORTANT COMMUNITY FISHERIES INTERESTS ARE INVOLVED.

5. INDUSTRY: PORTUGUESE INDUSTRY WILL HAVE TO BE STRENGTHENED FAIRLY RAPIDLY IN ORDER TO: (A) IMPROVE PORTUGAL'S ABILITY TO WITHSTAND COMMUNITY AND INTERNATIONAL COMPETITION, (B) SUSTAIN EFFORTS TO RAISE LIVING STANDARDS, (C) CREATE JOBS TO BRING DOWN THE HIGH LEVEL OF UNEMPLOYMENT, AND (D) COPE WITH THE CONSEQUENCES OF MODERNIZING AGRICULTURE. PORTUGAL'S ACCESSION WILL HAVE A LIMITED IMPACT ON THE COMMUNITY IN THE INDUSTRIAL FIELD. HOWEVER, FOR PORTUGAL IT WILL MEAN THE ACCEPTANCE OF THE COMMUNITY TREATIES, THE COMMON EC POLICIES AND RULES APPLIED IN THE STEEL, TEXTILES (MAN-MADE FIBERS), FOOT WEAR AND SHIPBUILDING INDUSTRIES, AND OF SCHEMES TO PROMOTE NEW INDUSTRIAL ACTIVITIES.

6. ENERGY: THE EFFECT OF BRINGING PORTUGUESE INDUSTRY UP TO DESIRED STRENGTH WILL REQUIRE A SIGNIFICANT RISE IN THE DEMAND FOR ENERGY IN PORTUGAL; THE RESULT WILL BE THAT IN THE NEAR TERM THERE WILL BE NO OVERALL DIMINUTION OF THE COMMUNITY'S DEPENDENCE ON ENERGY IMPORTS. SPECIAL INVESTMENT WILL BE NECESSARY TO MEET PORTUGAL'S FUTURE

ENERGY REQUIREMENTS, PARTICULARLY IN THE AREA OF EXPLORATION FOR OIL AND NATURAL GAS RESOURCES AND IN THE BUILDING OF NEW POWER STATIONS. PORTUGAL'S REFINING CAPACITY POSES A SPECIFIC PROBLEM IN THAT IT WILL ADD TO THE NINE MEMBER COMMUNITY'S OVERCAPACITY.

7. TERTIARY SECTOR: PORTUGUESE INFRASTRUCTURE FOR ALL FORMS OF TRANSPORT MUST BE MODERNIZED AND WILL REQUIRE LARGE-SCALE INVESTMENT. PROBLEMS ARE LIKELY TO ARISE IN THE TRANSPORT AND COMMUNICATIONS SECTOR IN CONNECTION WITH RESTRICTIONS ON THE ALLOCATION OF CARGO, THE RIGHT OF ESTABLISHMENT AND THE GRANT OF FLAG RIGHTS, AND THE FREE MOVEMENT OF SEAMEN. PROBLEMS COULD ARISE IN ROAD TRANSPORT CONCERNING THE IMPLEMENTATION OF A NUMBER OF

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LIBERALIZATION MEASURES ADOPTED BY THE COMMUNITY.

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8. SOCIAL AND REGIONAL ASPECTS: COMMUNITY FINANCIAL

INSTRUMENTS CAN PLAY AN IMPORTANT PART IN TACKLING PORTUGAL'S DEVELOPMENT PROBLEMS. HOWEVER, THE COMMUNITY WILL HAVE TO IMPROVE THE COORDINATION OF ITS SECTORAL, SOCIAL (I.E., LABOR AND WELFARE), AND REGIONAL POLICIES TO ENABLE IT TO COPE WITH THE SPECIAL DEVELOPMENT PROBLEMS OF PORTUGAL AND OF THE COMMUNITY'S OTHER POOREST REGIONS. SOCIAL PROBLEMS ARE MORE ACUTE IN PORTUGAL THAN IN THE PRESENT COMMUNITY, AND CONSEQUENTLY THE COMMUNITY'S SOCIAL POLICY WILL HAVE TO PLAY A VERY IMPORTANT ROLE IN PORTUGAL AFTER ACCESSION. HOWEVER, ALTHOUGH COMMUNITY HELP IS NECESSARY, THE EUROPEAN SOCIAL FUND WILL ONLY BE ABLE TO SUPPLY PART OF THE SOLUTION TO THE PROBLEMS THAT WILL ARISE SINCE WEAKNESSES IN THE SOCIAL SPHERE (I.E., IN TRAINING STRUCTURES AND INFRASTRUCTURE) REDUCE PORTUGAL'S ABILITY TO ABSORB EXTERNAL FINANCIAL AID. THE OPENING OF FRONTIERS AND THE APPLICATION OF COMMUNITY UNCLASSIFIED

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PROVISIONS CONCERNING WORKERS' FREEDOM OF MOVEMENT THROUGHOUT THE EC MIGHT ENCOURAGE THE TENDENCY OF PORTUGUESE TO EMIGRATE, THUS CREATING ADDITIONAL DIFFICULTIES IN THE PRESENT MEMBER STATES. THE PROBLEM OF ACUTE REGIONAL IMBALANCES WITHIN PORTUGAL WILL ALSO PUT A STRAIN ON THE COMMUNITY.

9. RIGHT OF ESTABLISHMENT AND MOVEMENT OF SERVICES AND CAPITAL: THERE IS NO INCOMPATIBILITY BETWEEN THE TREATIES AND THE SIZE OF THE PORTUGUESE PUBLIC SECTOR AND OF THE EXTENT OF NATIONALIZATION IN PORTUGAL, PROVIDED THE RELEVANT COMMUNITY RULES ARE OBSERVED. CENTRALIZATION OF THE PORTUGUESE ADMINISTRATION MAY ADVERSELY AFFECT COMPETITION BETWEEN PUBLIC UNDERTAKINGS, HOWEVER. ARRANGEMENTS FOR CAPITAL MOVEMENTS WILL NEED TO BE ADAPTED TO CONFORM WITH COMMUNITY RULES.

10. COMPETITION AND AIDS: IT IS UNLIKELY THAT ANY SPECIAL ARRANGEMENTS WILL HAVE TO BE MADE IN THE EVENT OF PORTUGUESE ACCESSION.

11. TAXATION: THE INTRODUCTION OF THE VALUE ADDED TAX (VAT) IN PORTUGAL IS LIKELY TO COME UP AGAINST SERIOUS PRACTICAL DIFFICULTIES. UNTIL VAT IS INTRODUCED, MOREOVER, THERE WILL BE A PROBLEM CONCERNING THE COLLECTION OF PORTUGAL'S CONTRIBUTION TO THE COMMUNITY BUDGET. DURING THE TRANSITION PERIOD, PORTUGAL WILL HAVE TO ADJUST ITS TAX SYSTEMS TO COMMUNITY REQUIREMENTS.

12. EXTERNAL RELATIONS: UPON ACCESSION, PORTUGAL MUST CEASE ITS MEMBERSHIP IN EFTA, AND AGREEMENTS CONCLUDED BY THE COMMUNITY IN 1972 WITH COUNTRIES BELONGING TO OR

ASSOCIATED WITH EFTA WILL HAVE TO BE ADJUSTED. HOWEVER,
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PORTUGAL SHOULD BE ALLOWED TO CONTINUE TO BENEFIT AFTER
ACCESSION FROM THE EXCEPTIONAL TARIFF DISMANTLING ARRANGE-
MENTS ENTERED INTO WITH EFTA AND ACCORDED UNTIL JANUARY
1985, AND FROM OTHER DEROGATIONS CONCERNING THE SURCHARGE
AND QUANTITATIVE RESTRICTIONS ON IMPORTS PORTUGAL HAS BEEN
GRANTED BECAUSE OF ITS DELICATE BALANCE OF PAYMENTS SITUA-
TION. PORTUGAL WILL HAVE TO APPLY ALL THE PREFERENTIAL
AGREEMENTS CONCLUDED BY THE COMMUNITY WITH THE ACP STATES,
MAGHREB AND MASHREK COUNTRIES, ISRAEL, MALTA AND CYPRUS.
PORTUGAL'S ACCESSION WILL MEAN THAT ITS PRODUCTS WILL BE
IN COMPETITION WITH THOSE FROM THIRD COUNTRIES WITH WHICH
THE COMMUNITY HAS PREFERENTIAL AGREEMENTS. HINTON

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